

From: John Arnold
To: Microsoft ATR
Date: 1/3/02 1:49pm
Subject: Microsoft Settlement

The attached article I wrote to illustrate my concern for the Microsoft suit.

Please read it and include it in the record of the public comments.

Thanks

John E. Arnold Get more from the Web. FREE MSN Explorer download : <http://explorer.msn.com>

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Mr. Walter Mossberg
WSJ

via email: mossberg@wsj.com.

Re: The Microsoft Case

I read your column regularly and usually enjoy what you offer. I wrote this piece a bit ago on the Microsoft Case as my perspective. I'm moved to send it to you after your piece today on Microsoft costing consumers. I don't think so.

The U.S. Justice Department in its zeal to protect the anti-trust laws has destroyed about two trillion dollars worth of the nation's economy. It has done more damage than Castro, Saddam Hussein, global warming, and the last five hurricanes.

Defenders of the Justice Department will say, "Yeah, right. Those stocks were over priced." Those need to recall that the Great Depression was caused, historians and economists uniquely agree, by the actions of the U.S. regulators misjudging their actions' impacts.

The Justice Department is wrong and wrong-headed on the issue. Microsoft has, arguably more than any other firm, made the so-called New Economy, and brought unparalleled economic health to the country. Moreover it has made the use of the computer seamless.

Contrast Microsoft with the AT&T breakup. I had the joy of starting a new agency in 1986, just after the breakup of AT&T and the creation of all the entities necessary to get phone service. Where before that you called "the phone company" and ordered "phones and phone service and maintenance," afterwards you called the phone company and could get only local service.

When you asked for long distance, they said you have to call someone else. Surprised, you asked who to call, who was out there? You were told, "I can't tell you that." When you asked about phones, you were told you had to go somewhere else. But again, they couldn't tell you where. Maintenance of the lines? Somewhere else.

So while before we had a seamless, wonderfully efficient phone system, all bundled together, afterwards we had to become knowledgeable about phones, knowledgeable about long distance, knowledgeable about maintenance of lines, knowledgeable about all the disparate pieces. It no longer was easy and quick. It will be worse with an unbundled Microsoft.

Think of the complexity if Microsoft had not bundled operating system with software with Internet connections. I had an early microcomputer. Not all the software was compatible with it. I had to become knowledgeable of arcane details I wasn't interested in learning, and this was a simple machine. I wanted to spend my time using

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the machine, as a productivity tool. As the PC has progressed and the seamlessness has progress—largely through Microsoft's efforts—I am more and more able to use my time the way I want—in applications. I don't want to have to go to one store for my computer, another for my operating system, another for my software—which may not work with other software—and another for the Internet connection.

That's a wrong-headed approach, a step backward from productivity.

In fact, I think no judge, attorney, or justice working on the case should be allowed to do so unless they are the systems operator of the computer of their family or office, and routinely add software, software upgrades, and computer enhancements. No one who doesn't know firsthand the complexity of determining which component of the mix of hardware, middleware, and software is the incompatible one can say that forced unbundling is a good idea.

Incredibly, I heard Judge Jackson interviewed on NPR and he said he didn't know what kind of operating system his computer at home had. He said it wasn't a Mac. The interviewer was incredulous and so was I that the man we allowed to make the most critical judgment on the integrated operating system and the industry had so little knowledge.

In fact, most attorneys in my experience do not even do their own keyboarding. They rely on dictation or hand written legal pads. None who do business that way are sufficiently grounded in the technology to be involved in the case.

Many have written articles offering evidence that the Justice Department is on the wrong track. The evidence of pricing: a monopoly would have raised the prices, and the evidence is clear the prices of software and of operating systems and of computers have declined. That early computer I bought cost me \$2,000. It had less power than today's Hewlett Packard calculator. Today we can buy a personal computer with power of a 1975 Cray machine (which the U.S. government prohibited from being sold to a foreign nation as an issue of national security) for less than \$1,000, some less than \$500. That's not the workings of a monopoly and the Justice Department and the Judge must not be seeing clearly as these impacts are relevant.

Byte editor Jerry Pournelle recounted the competitive wars and the bad business decisions made by the competitors of Microsoft, when they were strong and Microsoft was weak, allowing the Microsoft innovations to make inroads into markets others had sewn up, the better product beating out the inferior. That's what innovation and creativity in an atmosphere of freedom is supposed to do. Microsoft was inconsequential to IBM and to Apple and they didn't surpass either by monopoly tactics but by building products that served consumers. Pournelle pointed out several products that commanded the market and failed to take advantage of it, while Microsoft built a better one. VisiCalc was the spreadsheet lead (it was on the first computer I bought), then Lotus 1-2-3 had the lead and let it slip, and now Excel is dominant, as is Word, having innovated beyond Word Pro, WordStar, Wordperfect and others.

Attacking Microsoft for its successes as excesses of power is just plain factually wrong. And it's wrong-headed.

I hope you find that of some use.

Sincerely, John Arnold